

PRELIMINARY ANALYSIS

OF THE IMPACT OF

PRESIDENT BUSH'S

FISCAL YEAR 2006 BUDGET

ON NEW JERSEY

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PRESIDENT BUSH'S BUDGET: BAD FOR NEW JERSEY

EDUCATION

President Bush's budget for education shortchanges New Jersey's children. It would cut education for the first time in a decade, at a time when schools are struggling to meet the requirements of the No Child Left Behind Act.

Overall, Bush's FY2006 budget underfunds No Child Left Behind by an astounding \$12 billion. The effect in New Jersey will be felt by thousands of students.

- ❖ For example, 53,152 New Jersey students who would be fully served by the Title I program if it were fully funded will be left behind.
- ❖ President Bush's budget flat funds afterschool programs, \$1.3 billion below the authorized level. This means that New Jersey's afterschool programs are underfunded by \$24 million, denying 32,822 kids in New Jersey a safe place to go after school.

By failing to fully fund its special education commitments, the Bush Administration leaves New Jersey's most vulnerable students—special education students—out in the cold and will force New Jersey taxpayers to foot the bill.

- ❖ By under funding IDEA by a total of \$3.6 billion, Bush's budget leaves New Jersey \$100 million short, which will increase New Jersey's property tax burden and prevent schools from providing the services that special education students are guaranteed by law.

The President's budget eliminates funding for the successful Carl D. Perkins Vocational and Technical Education Act (funded last year at \$1.326 billion).

- ❖ As a result, New Jersey schools will lose almost \$27 million a year in federal funding for programs that make academics relevant to students, reduce the drop-out rate and prepare students for postsecondary education and the workforce. New Jersey will either be forced to eliminate these programs or come up with the state dollars to maintain them.

In addition, the budget eliminates a total of 48 education programs including: the Safe and Drug-Free Schools program which funds drug and violence prevention activities in our nation's schools; Perkins loans; vocational education programs; and school dropout prevention programs.

VETERANS

While overall funding for Veterans programs is flat, President Bush's budget places tremendous burdens on our veterans. It would more than double the co-payment charged to many veterans for prescription drugs (from \$7 to \$15 for a month's supply) and would require some to pay a new registration fee of \$250 a year for the privilege of using government health care.

- ❖ The administration says the co-payment and the \$250 "user fee" would apply mainly to veterans in lower-priority categories, who have higher incomes and do not have service-related disabilities. Many of these veterans live in states like New Jersey. New Jersey has over 622,000 veterans.

HOMELAND SECURITY/LAW ENFORCEMENT

President Bush's budget cuts the State Homeland Security block grant program 30 percent (from \$1.5 billion to \$1.02 billion).

On a positive note, the budget states that "homeland security activities should be prioritized based on the highest threats and risks."

- ❖ Under the current formula, New Jersey ranks 36th in the nation in per capita homeland security funding, despite being on the frontlines of the war on terror. Senator Corzine and Senator Lautenberg have introduced legislation to change the funding allocation formula to ensure that homeland security grants related to terrorism prevention and terrorism preparedness are awarded strictly on an assessment of risk, threat and vulnerabilities.

The Assistance to Firefighters Grant Program was cut from \$715 million to \$500 million.

- ❖ New Jersey received \$13.4 million in FY 2004 and could stand to lose \$4 million under these cuts.

In addition, President Bush's FY 2006 Budget undermines anti-crime efforts in New Jersey. It slashes the Community Oriented Policing Services Program ("COPS") by nearly 96% (from \$499 million to \$22 million, on the heels of a cut from \$742 the previous year) even though violent crime in New Jersey has been reduced by 40% since the program's creation in 1994. The proposed budget cuts to the COPS program effectively dismantle what has been a critical instrument in New Jersey's fight against crime.

- ❖ Since the inception of the COPS program ten years ago, at least 464 local and state law enforcement agencies in New Jersey have directly benefited from funding made available through the COPS Office.
- ❖ New Jersey law enforcement has received \$344,142,459 in COPS grants, money used to fund 4,806 additional police officers and sheriffs deputies dedicated to crime prevention in New Jersey.
- ❖ Additionally, COPS has awarded \$39,826,208 to New Jersey for the purpose of adding 320 school resource officers dedicated to improving safety for students, teachers, and administrators in primary and secondary schools throughout New Jersey.

HEALTH/MEDICAID

The President's Budget proposes to cut at least \$45 billion from the Medicaid program over the next ten years through a number of payment reforms.

- ❖ Families USA has estimated that as a result of these cuts, New Jersey could lose more than one billion in federal Medicaid funding over the next ten years.
- ❖ This translates to an annual cut of more than \$100 million per year, which is enough funding to provide health coverage to 6,400 seniors or 34,300 children.

President Bush's budget cuts the federal lead abatement program, which provides grants to states to eliminate lead-based paint in housing, by \$48 billion, or 30 percent.

- ❖ New Jersey is estimated to have as many as two million homes built before 1978 that contain toxic lead, including nine out of every ten houses in the City of Newark. Some estimates show that up to 50 percent of Newark's children may be affected by lead-poisoning. Without federal funding, the costs of lead abatement—about \$15,000 per unit—will be passed on to states and localities

COMMUNITY DEVELOPMENT

President Bush's budget would drastically reduce community development funding, leaving towns, cities, and counties with the bill. In New Jersey, the effect will be to increase the burden on property taxpayers.

The budget would consolidate 18 community development block grant programs into one Commerce Department program and cut the total funding by \$1.8 billion (\$5.7 billion to \$3.8 billion). The largest component, the \$4.1 billion Community Development Block Grant, could be cut by about 35 percent if the president's budget is enacted.

- ❖ New Jersey residents stand to lose \$40 million from just the CDBG cut. (New Jersey received \$113 million last year under the CDBG program). In effect, President Bush has proposed a property tax increase of at least \$40 million on the people of New Jersey with this cut.

HOUSING

President Bush has proposed eliminating the HOPE VI program for the third year in a row. Not only does the president's budget offer zero funding, it actually proposes to rescind the \$143 million appropriated by Congress for the current year.

- ❖ HOPE VI has played an invaluable role in revitalizing many New Jersey neighborhoods by providing grants to eliminate and rebuild decaying public housing developments. Since the creation of the program in 1992, New Jersey has received \$389 million in HOPE VI grants. And, this federal funding has leveraged over \$700 million in additional private sector investments, totaling over \$1 billion invested in New Jersey.

TRANSPORTATION

President Bush's budget includes no subsidy for Amtrak. The budget also would eliminate \$20 million for the next generation of high-speed rail and \$250 million for railroad rehabilitation.

- ❖ This will mean more cost shifting to states like New Jersey. President Bush is only proposing \$360 million for FY06 for "existing commuter services along the Northeast Corridor," should Amtrak go bankrupt. The broader proposal in the budget is to privatize the Northeast Corridor and have the Transportation Department lease the infrastructure to the states, which would then pick up the costs.
- ❖ An Amtrak shutdown would be a catastrophe for New Jersey: 82,000 daily commuters - over $\frac{3}{4}$ of New Jersey Transit's rail passengers - would have to find another way to work, because many of New Jersey Transit's lines share the infrastructure with the Northeast Corridor.
- ❖ The Bush administration has been intent on crippling Amtrak since the President was sworn to his first term four years ago. What the administration fails to understand is how important Amtrak is to New Jersey and the entire Northeast corridor, from Washington, D.C., to Boston.

The president's budget leaves state and local governments with the bill for highways and mass transit.

- ❖ The Transportation Department's 2002 "Conditions and Performance Report" showed a need of \$75.9 billion annually in combined federal, state, and local investment to maintain our highway infrastructure or \$106.9 billion annually to improve it.
- ❖ Yet, President Bush's budget would provide only \$34.7 billion (a \$1 billion increase), leaving state and local governments to fill in the difference.
- ❖ The Transportation Department's 2002 "Conditions and Performance Report" also showed a need of \$14.8 billion annually in combined federal, state, and local investment to maintain our mass transit infrastructure or \$20.6 billion to improve it.
- ❖ Yet, President Bush's budget would provide only \$7.8 billion (a \$0.2 billion increase), leaving state and local governments to fill in the difference.

DELAWARE RIVER OIL SPILL RESPONSE

The FY 06 Budget again includes no funding for the Delaware River Basin Commission, which is critical to preserving and protecting the river so that it remains a viable resource for the States along it. In the aftermath of the recent spill that dumped massive amounts of crude oil into the river, the Commission has played a crucial role in containing the spill's impact, but the Commission's ability to respond to this crisis has been hampered by a lack of sufficient resources.

- ❖ The DRBC has not been funded by the federal government since 1996, despite the fact that the federal government is responsible for 20 percent of the annual operating budget. Through the end of this fiscal year, the cumulative deficit totaled \$5.73 million, and after another year of no funding the deficit will reach \$6.42 million.

ENVIRONMENT AND ENERGY

The Environmental Protection Agency's \$8.1 billion budget would drop by \$450 million, or about 6 percent, with most of the reductions coming in water programs.

- ❖ This number includes \$100 million in cuts to grants for land and water conservation.

Superfund Tax (EPA):

- ❖ The President's budget fails to reinstate the Superfund tax on polluting companies' income. This tax expired in 1995. From 1995 until 2003, Superfund cleanups were funded by moneys in the trust fund that had been

collected in earlier years from polluters. However, the Superfund Trust Fund ran dry in 2003, and now Superfund cleanups are paid for out of general revenue.

- ❖ Since 1995, the amount paid by taxpayers to clean up abandoned toxic waste sites has increased by 315 percent. In 1995, New Jersey taxpayers paid \$13.9 million to clean up abandoned superfund sites, and in 2004, New Jerseyans paid \$57.8 million. New Jersey has 113 Superfund sites—more than any other State.
- ❖ The President believes that taxpayers should pay for the cleanup of highly polluted sites. We must reinstate the ‘polluter pays’ principle to ensure that those responsible for toxic messes are the ones footing the bill for cleanup.

Beach Replenishment (ACOE)

- ❖ The Bush Administration continues to gut funding for beach replenishment, which is crucial to protecting New Jersey’s coastal communities from harsh winter storms. This year’s budget reduces funding to \$69 million, from \$82 million in 2005 and \$93 million in 2004.
- ❖ Annually, the Administration attempts to cut beach funding for replenishment project construction and maintenance—they want to play a shell game where they pass responsibility to states and municipalities. As more than two-thirds of New Jersey’s tourists are from out-of-state, those who think that New Jerseyans alone should foot the bill for beach replenishment are misguided at best.
- ❖ Should the Federal government not increase its role in beach replenishment, the State will have to either drastically increase taxes to cover the revenue or allow the Shore to suffer serious economic and environmental damages.
- ❖ The beaches that are replenished are an environmental and economic asset to New Jersey. Tourism in our state generates \$20 billion annually and creates more than 415,000 jobs.

The Precedent of Drilling in the Arctic National Wildlife Refuge (Interior)

- ❖ The President has decided to manipulate the process in order to open up the Arctic National Wildlife Refuge to drilling. Supporters of drilling in the refuge are aware that this proposal would not meet with the approval of Congress, so they are utilizing underhanded tactics to prevent Congress from protecting the wildlife refuge.

- ❖ Supporters of drilling in the Arctic refuge have labeled this battle as a “precedent” that could have serious impacts on the Jersey Shore. The Administration has tried several times to catalogue oil and gas reserves on the outer Continental Shelf. Senator Corzine worked to thwart this proposal in the 107th and the 108th Congress. However, should the Arctic refuge be opened to drilling, it is likely that we will face a renewed push to open mid-Atlantic shores to drilling.
- ❖ Senator Corzine introduced a permanent moratorium on drilling off the mid-Atlantic coast. In his nomination hearing, Energy Secretary Bodman declined the opportunity to support making that moratorium permanent.

The Clean Water State Revolving Fund will be cut by 33%, from \$1.1 billion to \$730 million. The CWSRF is America’s largest water quality improvement funding source. The revolving fund supports water quality protection projects for wastewater treatment, nonpoint source pollution control and watershed and estuary management.

- ❖ In FY2004, New Jersey received \$54.7 million from the fund, and it stands to lose \$18.1 million from the President’s cuts.

Electric Transmission and Distribution R&D (DOE)

- ❖ The Administration is playing a shell game with research and development funding at the Department of Energy. In order to fund its highly-touted “clean coal” initiative, the Administration is cutting important, but less glamorous programs, so that they can have a talking point.
- ❖ In August 2003, 50 million people—1 million in New Jersey—suffered from a paralyzing blackout that started in Ohio and cascaded across the Northeast. Instead of investing in our national electrical transmission grid, the “Electric Transmission and Distribution” strategic program—which is responsible for “leading a national effort to modernize and expand America’s electricity delivery system”—is being cut by \$23 million, or 20 percent. All aspects of this program will be cut significantly—except overhead costs, which will increase by 40%.
- ❖ The hardest hit R&D subject within this program, startlingly enough, is “Transmission Reliability R&D,” which is being cut by 40%. This account is responsible for modernizing the nation’s transmission infrastructure and improving grid reliability, so that no section of the country has to face the economic, security and public health crisis created by a widespread blackout.

LOW-INCOME HEATING ASSISTANCE

LIHEAP, the program that provides low-income people (primarily seniors) with home-heating aid, would be cut again, this time by 8.4 percent (from \$2.2 billion to \$2 billion). For New Jersey, this would be a cut of \$3.3 million (from \$72.28 million to \$68.97 million).

- ❖ 154,415 families benefit from the LIHEAP program in New Jersey; this reduction in funding will have the effect of excluding 7,103 households from the program.

At last year's funding levels, only one-sixth of low-income families who qualified for the program were able to receive assistance. This continues an unfortunate trend: last year's funding for LIHEAP was 23 percent lower than in 2001.